

ALTON TOWN, UTAH
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION
with
ACCOUNTANT'S COMPILATION REPORT
YEAR ENDED JUNE 30, 2005

ALTON TOWN, UTAH

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Wilson & Company

Certified Public Accountants / A Professional Corporation

ACCOUNTANT'S COMPILATION REPORT

The Honorable Town Council
Town of Alton, Utah
Alton, Utah

We have compiled the accompanying general purpose financial statements of the Town of Alton, Utah of June 30, 2005, and for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements for the fiscal year ended June 30, 2005 and, accordingly, do not express an opinion or any other form of assurance on them.



WILSON & COMPANY
Certified Public Accountants

Cedar City, Utah
March 13, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of Alton Town's financial performance provides an overview of the Town's financial activities for the year ending June 30, 2005. This report is in conjunction with the Town's financial statements.

Financial Highlights

The assets of Alton Town exceeded its liabilities as of the close of the most recent year by \$932,130 (*net assets*). Of this amount, \$52,821 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets decreased by \$147,836 including the effects of the prior period adjustment. In the governmental funds, the expenditures exceeded revenues and the adopted budgeted amounts for expenditures exceeded the actual expenditure amounts.

At the close of the current year, Alton Town's government funds reported an ending fund balance of \$44,171, a decrease of \$23,050 in comparison with the prior year including the effects of the prior period adjustment. Of this total amount, \$44,171 is available for spending at the government's discretion (*unreserved fund balance*).

Alton Town's total long-term debt decreased by \$10,968 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Alton Town's basic financial statements. Alton Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Alton Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Alton Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Alton Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Alton Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Alton Town include general government, public safety, highways & streets, and parks & recreation. The business-type activity of Alton Town is water services.

Fund financial statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Alton Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Alton Town can be divided into two categories: governmental funds and enterprise funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Alton Town maintains a single governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

Alton Town adopts an annual appropriated budget for its governmental fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary funds

Alton Town maintains a single proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Alton Town uses an enterprise fund to account for its water service operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer services which are considered a major funds of the Town.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Alton Town.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Alton Town, assets exceeded liabilities by \$932,130 at the close of the most recent fiscal year.

By far the largest portion of Alton Town's net assets (94 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. Alton Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Alton Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the year, Alton Town is able to report positive balances in both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Alton Town's Net Assets

	Governmental Activities		Business-type Activities	
	2004	2005	2004	2005
Current & other assets	67,227	62,928	18,676	17,781
Capital assets	682,900	543,783	446,000	444,650
Total assets	750,127	606,711	464,676	462,431
Long-term Liabilities outstanding	-	-	129,136	118,168
Other liabilities	-	18,757	5,701	87
Total liabilities	-	18,757	134,837	118,255
Net assets:				
Invested in cap. assets, net of debt	682,900	543,783	316,864	326,482
Restricted			11,384	9,044
Unrestricted	67,227	44,171	1,591	8,650
Total net assets	750,127	587,954	329,839	344,176

Changes in Alton Town's Net Assets

	Governmental Activities		Business-type Activities	
	2004	2005	2004	2005
Revenues:				
Program revenues				
Charges for services	1,981	3,695	19,511	19,661
Operating grants and contributions	52,851	14,490		-
Capital grants and contributions		28,080		2,500
General revenues				
Property taxes	18,601	18,649		
General sales and use taxes	8,627	9,987		
Earnings on investments		980		264
Miscellaneous	5,261	2,925		
Total revenues	<u>87,321</u>	<u>78,806</u>	<u>19,511</u>	<u>22,425</u>
Expenses:				
General government	67,810	32,712		
Public Safety	1,224	5,712		
Highways & streets	5,909	7,208		
Parks & recreation	5,862	1,083		
Water fund			20,802	19,148
Total expenses	<u>80,805</u>	<u>46,715</u>	<u>20,802</u>	<u>19,148</u>
Prior period adjustment		(194,264)		11,060
Increase in net assets	<u>6,516</u>	<u>(162,173)</u>	<u>(1,291)</u>	<u>14,337</u>

Financial Analysis of the Government's Funds

As noted earlier, Alton Town uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental funds

The focus of Alton Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Alton Town's financing requirements. In particular *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of Alton Town. At the end of the current year, unreserved fund balance of the general fund was \$44,171, which is the unrestricted

fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Proprietary funds

Alton Town's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water service fund at the end of the year amounted to \$8,650.

Capital Asset and Debt Administration

Capital assets

Alton Town's investment in capital assets for its governmental activities as of June 30, 2005, amounts to \$543,783 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings and equipment.

Additional information on Alton Town's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the current year, Alton Town's had total debt outstanding of \$118,168. The debt represents bonds issued to finance water and sewer projects in prior years.

Additional information on Alton Town's long-term debt can be found in the notes of the financial statements.

Requests for Information

This financial report is designed to provide a general overview of Alton Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Alton Town, 11 South 100 East, P. O. Box 100781, Alton, Utah, 84710-0781.

ALTON TOWN, UTAH
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash & cash equivalents	\$ 44,303	\$ 15,734	\$ 60,037
Accounts receivable		2,047	2,047
Property tax receivable	18,625		18,625
Capital assets, net of accumulated depreciation	543,783	444,650	988,433
Total assets	<u>606,711</u>	<u>462,431</u>	<u>1,069,142</u>
Liabilities and Net Assets			
Liabilities :			
Accounts payable	132	87	219
Deferred revenue property tax receivable	18,625		18,625
Bonds payable			-
Portion due within one year		1,926	1,926
Portion due after one year		116,242	116,242
Total liabilities	<u>18,757</u>	<u>118,255</u>	<u>137,012</u>
Net Assets:			
Invested in capital assets, net of related debt	543,783	326,482	870,265
Restricted for:			
Debt service		9,044	9,044
Unrestricted	44,171	8,650	52,821
Total net assets	<u>\$ 587,954</u>	<u>\$ 344,176</u>	<u>\$ 932,130</u>

The notes to the financial statements are an integral part of this statement.

ALTON TOWN, UTAH
Statement of Activities
Year Ended June 30, 2005

Functions	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 32,712	\$ 3,495	\$ -	\$ -	\$ (29,217)
Public Safety	5,712		39		(5,673)
Highways & streets	7,208		14,451	28,080	35,324
Parks & recreation	1,083	200			(883)
Total governmental activities	46,714	3,695	14,490	28,080	(449)
Business-type activities:					
Water Fund	19,148	19,661		2,500	3,013
Total business-type activities	19,148	19,661	-	2,500	3,013
Total government	\$ 65,862	\$ 23,356	\$ 14,490	\$ 30,580	\$ 2,564

(Continued on page 10)

ALTON TOWN, UTAH
Statement of Activities
Year Ended June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets			
Net (expense) revenue from previous page	\$ (449)	\$ 3,013	\$ 2,564
General revenues:			
Taxes:			
Property taxes	18,649		18,649
General sales and use taxes	9,987		9,987
Earnings on investments	980	264	1,244
Miscellaneous	2,924		2,924
Total general revenues and transfers	<u>32,540</u>	<u>264</u>	<u>32,804</u>
Increase in net assets	32,091	3,277	35,368
Net assets - beginning	750,127	329,839	1,079,966
Prior period adjustment	(194,264)	11,060	(183,204)
Net assets - ending	<u>\$ 587,954</u>	<u>\$ 344,176</u>	<u>\$ 932,130</u>

The notes to the financial statements are an integral part of this statement.

ALTON TOWN, UTAH
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Total Governmental Funds</u>
Assets:		
Cash & cash equivalents	\$ 44,303	\$ 44,303
Total assets	<u>\$ 44,303</u>	<u>\$ 44,303</u>
Liabilities:		
Accounts payable	\$ 132	\$ 132
Total liabilities	<u>132</u>	<u>132</u>
Fund balances:		
Reserved	17,555	17,555
Unreserved, undesignated	26,616	26,616
Total fund balances	<u>44,171</u>	<u>44,171</u>
Total liabilities and fund balances	<u>\$ 44,303</u>	<u>\$ 44,303</u>

The notes to the financial statements are an integral part of this statement.

ALTON TOWN, UTAH
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 44,171
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$742,010 and the accumulated depreciation is \$198,227	543,783
Total net assets - governmental activities	<u>\$ 587,954</u>

The notes to the financial statements are an integral part of this statement.

ALTON TOWN, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES:		
Property taxes	\$ 18,649	\$ 18,649
Sales and use taxes	9,987	9,987
Licenses and permits	923	923
Intergovernmental revenues	42,571	42,571
Charges for services	1,243	1,243
Interest earnings	980	980
Miscellaneous revenues	4,452	4,452
Total revenues	<u>78,805</u>	<u>78,805</u>
EXPENDITURES:		
General government	16,839	16,839
Public Safety	32,504	32,504
Highways & streets	33,147	33,147
Parks & recreation	1,083	1,083
Total expenditures	<u>83,573</u>	<u>83,573</u>
Excess of revenues over (under) expenditures	<u>(4,768)</u>	<u>(4,768)</u>
FUND BALANCES JULY 1	67,221	67,221
Prior period adjustment	(18,282)	(18,282)
FUND BALANCES JUNE 30	<u>\$ 44,171</u>	<u>\$ 44,171</u>

The notes to the financial statements are an integral part of this statement.

ALTON TOWN, UTAH
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$ (4,768)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	59,110	
Depreciation expense	<u>(22,251)</u>	
		36,859

Change in net assets of governmental activities	\$ <u>32,091</u>
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The notes to the financial statements are an integral part of this statement.

ALTON TOWN, UTAH
Statement of Net Assets
Major Proprietary Funds
June 30, 2005

	<u>Water Fund</u>	<u>Total</u>
Assets		
Current assets:		
Cash & cash equivalents	\$ 15,734	\$ 15,734
Accounts receivable	2,047	2,047
Total current assets	<u>17,781</u>	<u>17,781</u>
Long-term assets:		
Capital assets, net of accumulated depreciation	444,650	444,650
Total long-term assets	<u>444,650</u>	<u>444,650</u>
Total assets	<u>462,431</u>	<u>462,431</u>
Liabilities and Net Assets		
Liabilities :		
Current liabilities:		
Accounts payable	87	87
Bonds payable within one year	1,926	1,926
Total current liabilities	<u>2,013</u>	<u>2,013</u>
Long-term liabilities:		
Bonds payable after one year	116,242	116,242
Total long-term liabilities	<u>116,242</u>	<u>116,242</u>
Total liabilities	<u>118,255</u>	<u>118,255</u>
Net assets:		
Invested in capital assets, net of related debt	326,482	326,482
Restricted for:		
Debt service	9,044	9,044
Unrestricted	8,650	8,650
Total net assets	<u>\$ 344,176</u>	<u>\$ 344,176</u>

The notes to the financial statements are an integral part of this statement.

ALTON TOWN, UTAH
Statement of Revenues, Expenses and Changes in Net Assets
Major Proprietary Funds
Year Ended June 30, 2005

	Water Fund	Total
Operating revenues:		
Net revenue	\$ 19,661	\$ 19,661
Total operating revenues	<u>19,661</u>	<u>19,661</u>
Operating expenses:		
Contractual services	5,716	5,716
Repairs & maintenance	478	478
Operating expenses	1,168	1,168
Other	621	621
Depreciation	7,253	7,253
Total operating expenses	<u>15,236</u>	<u>15,236</u>
Operating income (loss)	4,425	4,425
Nonoperating income (expense):		
Interest Revenue	264	264
Impact Fees	2,500	2,500
Interest Expenses	(3,912)	(3,912)
Total nonoperating income	<u>(1,148)</u>	<u>(1,148)</u>
Net income (loss) before transfers	<u>3,277</u>	<u>3,277</u>
Change in net assets	3,277	3,277
Net assets - beginning	329,839	329,839
Prior period adjustment	11,060	11,060
Net assets - ending	<u><u>\$ 344,176</u></u>	<u><u>\$ 344,176</u></u>

The notes to the financial statements are an integral part of this statement.

ALTON TOWN, UTAH
Statement of Cash Flows
Major Proprietary Funds
Year Ended June 30, 2005

	<u>Water Fund</u>	<u>Total</u>
Cash flows from operating activities:		
Cash received from customers	\$ 19,114	\$ 19,114
Cash payments to suppliers for goods and services	(7,896)	(7,896)
Net cash provided (used) by operating activities	<u>11,218</u>	<u>11,218</u>
Cash flows from noncapital financing activities:		
Operating transfers from other funds	-	-
Net cash (used) by noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Cash received from impact & connection fees	2,500	2,500
Other receipts (payments)	5,359	5,359
Acquisition of capital assets	(5,903)	(5,903)
Interest paid on capital debt	(3,912)	(3,912)
Principal paid on capital debt	(10,968)	(10,968)
Net cash (used) by capital and related activities	<u>(12,924)</u>	<u>(12,924)</u>
Cash flows from investing activities		
Interest received	264	264
Net cash (used) by investing activities	<u>264</u>	<u>264</u>
Net increase in cash and cash equivalents	<u>(1,442)</u>	<u>(1,442)</u>
Cash and Cash Equivalents - Beginning	<u>17,176</u>	<u>17,176</u>
Cash and Cash Equivalents - Ending	<u>\$ 15,734</u>	<u>\$ 15,734</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 4,425	\$ 4,425
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	7,253	7,253
Increase decrease accounts receivable	(547)	(547)
Increase decrease in accounts payable	87	87
Total adjustments	<u>6,793</u>	<u>6,793</u>
Net cash provided (used) by operating activities	<u>\$ 11,218</u>	<u>\$ 11,218</u>

The notes to the financial statements are an integral part of this statement.

ALTON TOWN, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Alton Town have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The accompanying basic financial statements present the financial position of various fund types and account groups and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

A. Reporting Entity

For financial reporting purposes, Alton Town has included all funds and account groups. The Town has also considered all potential component units for which it is financially accountable and that exclusion would cause the Town's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Town to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town.

Based on the above criteria, the Town has no component units and is not a component unit of any other government.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

ALTON TOWN, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C: Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Alton Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the Town's water distribution system.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the

ALTON TOWN, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D: Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Equipment	5 - 10 Years

As allowed by GASB Statement 34, the Town has elected to report infrastructure on a prospective basis.

ALTON TOWN, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences:

The Town has a policy which allows full time employees to accumulate vacation pay and comp-time. The Town allows vacation hours to accumulate up to a maximum of 40 hours payable at termination. The maximum comp-time payable is 40 hours.

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Reconciliation of Government-Wide and Fund Financial Statements:

- A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

ALTON TOWN, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cost of capital assets	\$ 742,010
Accumulated depreciation	<u>(198,227)</u>
Total difference	<u>\$ 543,783</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net differences, the elements of this difference are as follows:

Capital outlay	\$ 59,110
Depreciation expense	<u>(22,251)</u>
Net difference as reported	<u>\$ 36,859</u>

F: Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G: Property Tax:

Kane County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

ALTON TOWN, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H: Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore, all annual appropriations lapse at fiscal year end.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through public hearings the effects of which were material and are reflected in management's discussion and analysis.

I: Statement of Cash Flows:

For the purpose of the Statement of Cash Flows, the Water Utility Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2: CASH AND INVESTMENTS

The Town maintains a cash and investment pool, which includes the cash account and several investments.

The Town's deposit and investment policy is to follow the Utah Money Management Act. However, the Town does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the Town is exposed.

Utah State law requires that Town funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the Town and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

ALTON TOWN, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 2: CASH AND INVESTMENTS - CONTINUED

As of June 30, 2005, the Town had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair Value</u>
Cash on deposit	\$ 11,175
State Treasurer's investment pool	<u>48,862</u>
	<u>\$ 60,037</u>

Interest rate risk. The Town manages its exposure to declines in fair value by only investing in the Utah Public Treasurers Investment Fund.

Credit risk. As of June 30, 2005 the Utah Public Treasurer's Investment Fund was unrated.

Concentration of credit Risk. The Town's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005 none of the deposits was exposed to custodial credit risk because it was uninsured or uncollateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. The Town's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2005, are as follows:

Cash on hand and on deposit:	
Cash on deposit	\$ 11,175
Utah State Treasurer's investment pool account	<u>48,862</u>
Total cash and investments	<u>\$ 60,037</u>

Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	<u>\$ 60,037</u>
Total cash and investments	<u>\$ 60,037</u>

ALTON TOWN, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Buildings	\$ 666,400			\$ 666,400
Improvements other than buildings	11,500	27,911		39,411
Machinery & Equipment	5,000	31,200		36,200
Total capital assets, being depreciated	<u>682,900</u>	<u>59,111</u>		<u>742,011</u>

Accumulated depreciation for:

Buildings	172,176	16,660		188,836
Improvements other than buildings	2,300	1,971		4,271
Machinery & Equipment	1,500	3,620		5,120
Total accumulated depreciation	<u>175,976</u>	<u>22,251</u>		<u>198,227</u>
Total capital assets, being depreciated,	<u>506,924</u>	<u>36,859</u>		<u>543,783</u>
Governmental activities capital assets, net	<u>\$506,924</u>	<u>\$36,859</u>	<u>\$</u>	<u>\$ 543,783</u>

Business type activities:

Capital assets, being depreciated:

Improvements other than buildings	<u>538,076</u>	<u>5,903</u>		<u>543,979</u>
Total capital assets, being depreciated	<u>538,076</u>	<u>5,903</u>		<u>543,979</u>

Accumulated depreciation for:

Improvements other than buildings	<u>92,076</u>	<u>7,253</u>		<u>99,329</u>
Total accumulated depreciation	<u>92,076</u>	<u>7,253</u>		<u>99,329</u>
Total capital assets, being depreciated,	<u>446,000</u>	<u>(1,350)</u>		<u>444,650</u>
Governmental activities capital assets, net	<u>\$446,000</u>	<u>\$(1,350)</u>		<u>\$ 444,650</u>

ALTON TOWN, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 3. CAPITAL ASSETS - CONTINUED

Depreciation was charged to functions as follows:

General government	\$ 15,872
Public safety	4,408
Highways & Streets	1,971
Total	<u>\$ 22,251</u>

NOTE 4. CHANGES IN LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the Town for the fiscal year ended June 30, 2005:

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Revenue Bonds	\$ 129,136		\$ 10,968	\$ 118,168
	<u>\$ 129,136</u>		<u>\$ 10,968</u>	<u>\$ 118,168</u>

ALTON TOWN, UTAH
NOTES TO FINANCIAL STATEMENT
June 30, 2005

NOTE 5. CHANGES IN LONG-TERM DEBT - CONTINUED

USDA Water Revenue Bond Series 1998

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
2006	\$ 1,926	\$ 4,839	\$ 6,765
2007	2,194	5,186	7,380
2008	2,294	5,086	7,380
2009	2,400	4,980	7,380
2010	2,511	4,869	7,380
2011 - 2015	14,392	22,508	36,900
2016 - 2020	18,016	18,884	36,900
2021 - 2025	22,552	14,348	36,900
2026 - 2030	28,231	8,669	36,900
2031 - 2034	23,652	1,935	25,587
Total	<u>\$ 118,168</u>	<u>\$ 91,304</u>	<u>\$ 209,472</u>

NOTE 5. RISK MANAGEMENT

Alton Town, Utah is subject to various types of risk such as tort actions, theft, damage, or destruction of assets by intent or acts of God, and job related illnesses or injury.

The Town has procured commercial insurance coverage and Workman's Compensation Insurance which in the Town's estimation, is adequate to reduce the risk of loss to a manageable level..

NOTE 6. PRIOR PERIOD ADJUSTMENT

The prior period adjustment relates to the restatement of the carrying value of the assets to report the assets of the Town in accordance with the requirements of GASB #34.

ALTON TOWN, UTAH
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Budgetary fund balance, July 1	\$ 67,221	\$ 67,221	\$ 67,221	\$ -
Resources (inflows):				
Property taxes	16,700	16,700	18,649	1,949
Sales and use taxes	9,500	9,500	9,987	487
Licenses and permits	2,000	2,000	923	(1,077)
Intergovernmental revenues	764,030	764,030	42,571	(721,459)
Charges for services	4,700	4,700	1,243	(3,457)
Interest earnings	850	850	980	130
Miscellaneous revenues	5,800	5,800	4,452	(1,348)
Amounts available for appropriation	870,801	870,801	146,026	(724,775)
Charges to appropriations (outflows):				
General government	14,890	14,890	16,839	(1,949)
Public Safety	748,000	748,000	32,504	715,496
Highways & streets	32,100	32,100	33,147	(1,047)
Parks & recreation	4,550	4,550	1,083	3,467
Prior period adjustment	-	-	18,282	(18,282)
Total charges to appropriations	799,540	799,540	101,855	715,967
Budgetary fund balance, June 30	\$ 71,261	\$ 71,261	\$ 44,171	\$ (8,808)

The notes to the financial statements are an integral part of this statement.